

2023 CHRO Compensation Report:

CHRO Compensation Slowly Aligning with Company Performance



HRO Today Flash Reports are ongoing research initiatives addressing topics of interest in the HR community. *HRO Today* Flash Reports are focused briefs that help support business decisions and encourage discussion among industry practitioners and thought leaders.



Introduction

As the function of Human Resources expands, its impact on company performance and metrics is undeniable. The top HR executive position, often the Chief Human Resources Officer (CHRO), is now considered as integral as any other member of the C-suite. Additionally, HR departments continue growing as 20% of the fastest growing roles in the U.S. are in HR departments.¹ With these additional responsibilities and impact on company performance, HR executive compensation should be accurately reflected.



HRO Today has published its fourth CHRO compensation study to garner these insights. For the analysis, we pulled publicly available data on the Fortune 1000 and gathered CHRO compensation data on 182 senior HR executives from those companies, a valid sample of 18.2%. The data was segmented into Fortune 50, Fortune 100, Fortune 200, and Fortune 500 subcategories for analysis. Within each segmentation, we studied correlations to salary, total cash compensation, and non-cash compensation like stock options and grants.

We looked for correlations between the senior HR executive compensation, company perfor-

mance metrics, and company size. This included market capitalization, earnings per share (EPS), earnings before income tax, depreciation, amortization (EBITDA), and employee headcount.

To further explore how HR practitioners feel about their organization's compensation, we surveyed 101 executives from the *HRO Today* network and compared the survey results to our 2022 and 2020 study findings. Note there are not separate findings for 2021 as the 2020 study was conducted late in the year. Results of the 2023 study are combined with the Fortune 500 correlation analysis described above to provide a complete and overarching view of the CHRO compensation structure, practices, and perceptions. Similar to the 2022 survey, we also examined diversity within compensation and workforce composition.

Key Findings

Our research showed a variety of HR compensation packages. Again, there is no significant consistent correlation between company performance or size in CHRO compensation within the Fortune 1000. Compensation seems to be based on other factors, such as industry, location, or the executive's additional responsibilities. However, we found statistically significant correlations between compensation levels and company performance among organizations within the Fortune 50. A coefficient correlation of "1.00" is perfect, as the two examined factors move with each other. Anything over 0.70 is considered highly correlated.

Figure 1 shows the five company performance measures among the Fortune 50 that correlate closely with compensation. Two of the five, Total Compensation vs. EBITDA or Market Capitalization, are perfectly correlated (1.00). Restricted Stock vs. Market Capitalization or EBITDA are nearly perfectly correlated at 0.99 and 0.98, respectively. However, other company performance indicators, including company size, were not correlated with compensation.

Considering the recent tumult in the stock market, tying compensation to company performance can be problematic. In the first quarter of 2023, S&P 500 companies saw an overall quarterly decline in net profit margin, marking the seventh consecutive decrease and the lowest since the last quarter of 2020.² However, the stock market is beginning to slowly recover. The Nasdaq increased the most in the first quarter, by 20.8%. The S&P 500 and Dow Jones increased modestly, by 7.9% and 0.9%, respectively.³

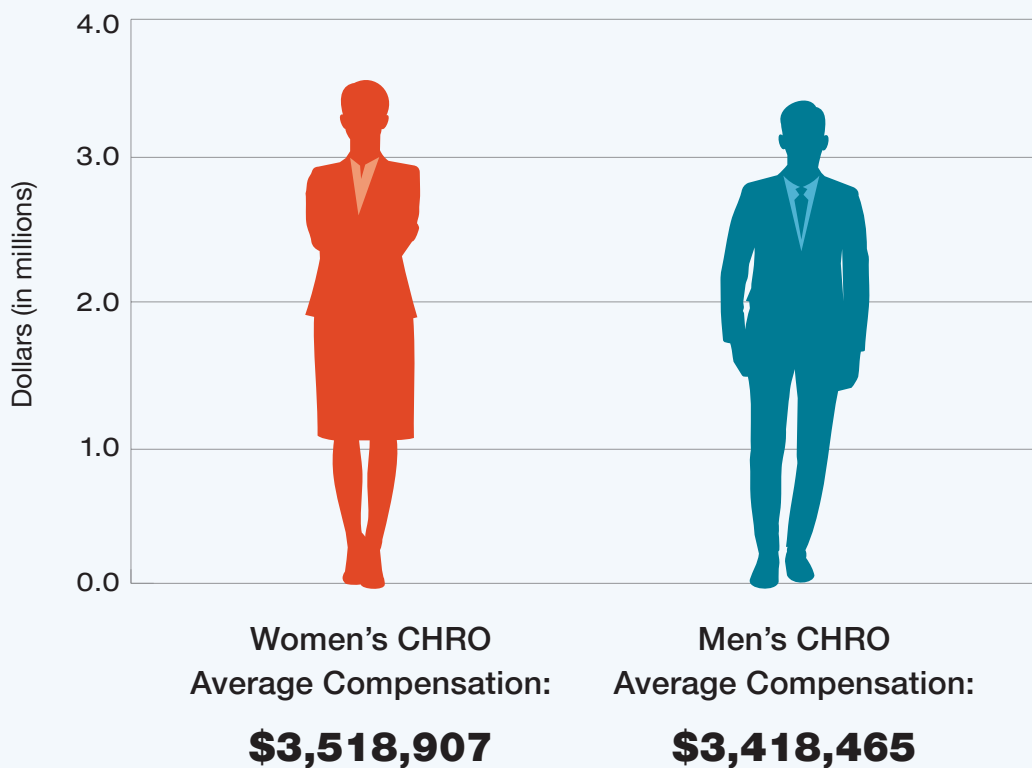
Correlation Between CHRO Compensation and Fortune 50 Company Performance Metrics	2023	2022	2020
Total Compensation vs. EBITDA	1.00	0.98	0.85
Total Compensation vs. Market Capitalization	1.00	0.98	0.88
Restricted Stock vs. Market Capitalization	0.99	0.91	0.98
Restricted Stock vs. EBITDA	0.98	0.90	0.95
Non-Equity Compensation vs. Market Capitalization	0.98	0.81	0.87

Figure 1

Gender Differences in CHRO Compensation

When looking at differences in CHRO compensation by gender, trends from previous years are still in effect. Women, again, earn more than their male counterparts, by over \$100,000. The pay gap, with outliers removed, closed slightly, by 1.9 percentage points to 2.9%. Women had higher salaries and higher total compensation. From 2022, CHRO salaries in the Fortune 500 increased by over \$491,000.

Fortune 500 Gender Income Gap Among CHROs*



Percentage Difference: **2.9%**
Dollar Amount Difference: **\$100,442**

*Outliers removed

Figure 2



Study Findings

Since the onset of the COVID-19 pandemic, HR leaders have faced numerous obstacles while taking on additional responsibilities. HR leaders are tasked with employee safety and compliance, layoffs, recruitment, upskilling, employee engagement, remote working, and retention to name just some of their responsibilities. But against that vast array of responsibilities, according to a 2023 study, 92% of HR practitioners cite budgetary limitations, lack of necessary skills, and resources as barriers to success within their departments. Additionally, 62% are considering leaving HR due to challenges faced in recent years.⁴

As the workforce continues to evolve, HR practitioners' views on the intricacies of their profession changes. These study findings show the change over three years.

HR Practitioners' Views on Industry Compensation

Please indicate the extent of your agreement with each of the following statements about how each applies to your company.

"Our CHRO is compensated on par with other C-level executives."

Senior HR executives were asked if they felt the CHRO compensation in their organization is comparable with other C-Suite executives. Note: in some cases, the CHRO was the survey respondent. Just over half (53%) agreed that compensation was aligned with other C-Suite executives. This is the highest level of agreement since the onset of the COVID-19 pandemic and reversed a decline between 2020 and 2022.

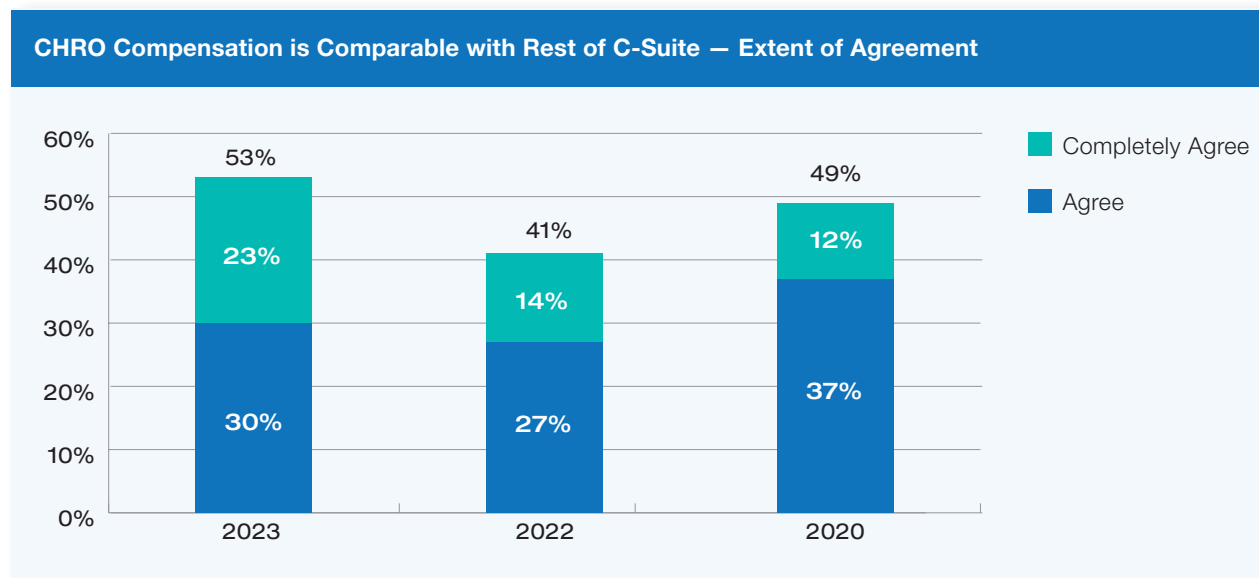


Figure 3

Ways to Determine CHRO Compensation

In addition to finding respondents' views on CHRO compensation versus the rest of the C-Suite, we asked two questions addressing how, ideally, CHRO compensation should be based at the respondent's company: "CHRO/Senior HR compensation should correlate with company size as defined by the number of employees", and "CHRO/Senior HR compensation should correlate closely with company profits".

CHRO/Senior HR compensation Correlation with Company Employee Count

Compared to 2022, tying compensation to employee count had a lower level of agreement. The majority (70%) believe compensation should directly reflect an organization's employee count, though this marks the first wave of the study where this percentage has declined year over year. There is only a weak positive correlation of 0.27 between compensation and company size in the Fortune 500, a slight decrease from 2022. Additionally, there is no correlation between these two in the Fortune 50.

Using Company Profits to Determine CHRO Compensation

Just over one-half (52%) of HR practitioners believe company profits should decide compensation, the same as in 2022 and only slightly lower than in 2020 (56%).

CHRO compensation and company performance, defined as Total Compensation versus EBITDA, have the strongest connection with a perfect correlation. However, there is still no universal deciding factor or methodology for determining CHRO compensation.

How to Determine CHRO Compensation — Extent of Agreement	2023	2022	2020
EMPLOYEE COUNT			
Agree (net)	70%	82%	64%
Agree	51%	68%	48%
Completely Agree	19%	14%	16%
PROFITS			
Agree (net)	52%	52%	56%
Agree	40%	40%	38%
Completely Agree	12%	12%	18%

Figure 4

CHRO Compensated Vs. Other C-Suite Executives

"The C-suite in HR should be compensated on par with other C-level executives."

We asked respondents if they felt their CHRO *should* be compensated on par with other C-level executives within their company. Nine out of ten (90%) agree that compensation among all C-level executives should be comparable, though this is a decrease from both 2022 and 2020.

Figure 3 showed that over one-half (53%) believe CHROs in their organizations are compensated comparably to other C-level executives within their company. There is a difference of 37 percentage points between what respondents think should occur within CHRO compensation and what they believe is occurring, though that gap is narrower than in 2022 or 2020.

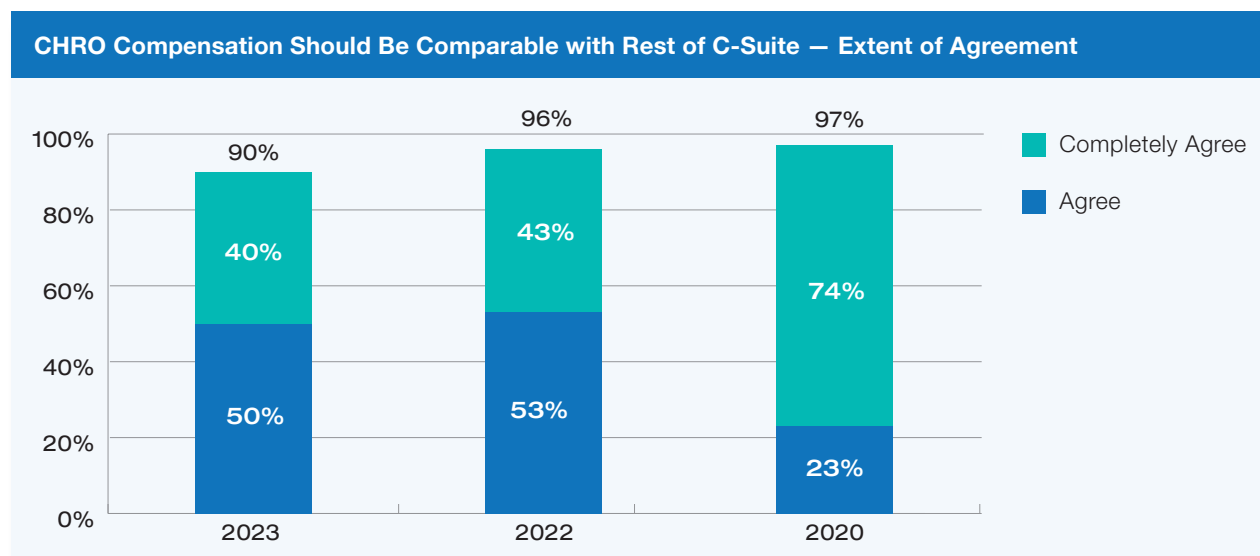


Figure 5A

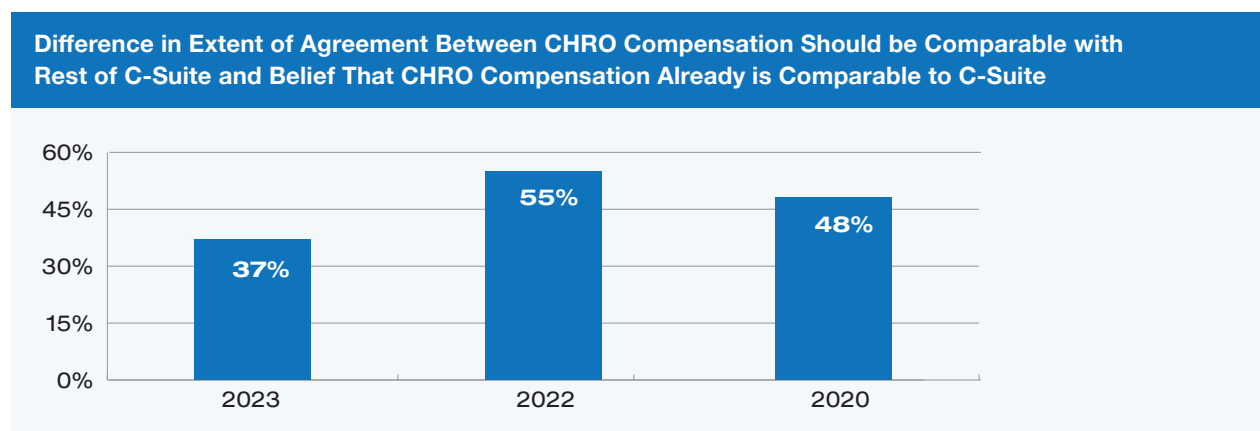


Figure 5B

Most Senior HR Executive Fairly Compensated

Please indicate the extent of your agreement with each of the following statements about how each applies to your company.

"To the best of my knowledge, our most senior HR person is fairly compensated."

We asked HR practitioners if they believe the most senior HR person in their organization is compensated fairly. Interestingly, almost two-in-three (62%) felt they were, 9 percentage points more than in 2022 and the same as in 2020.

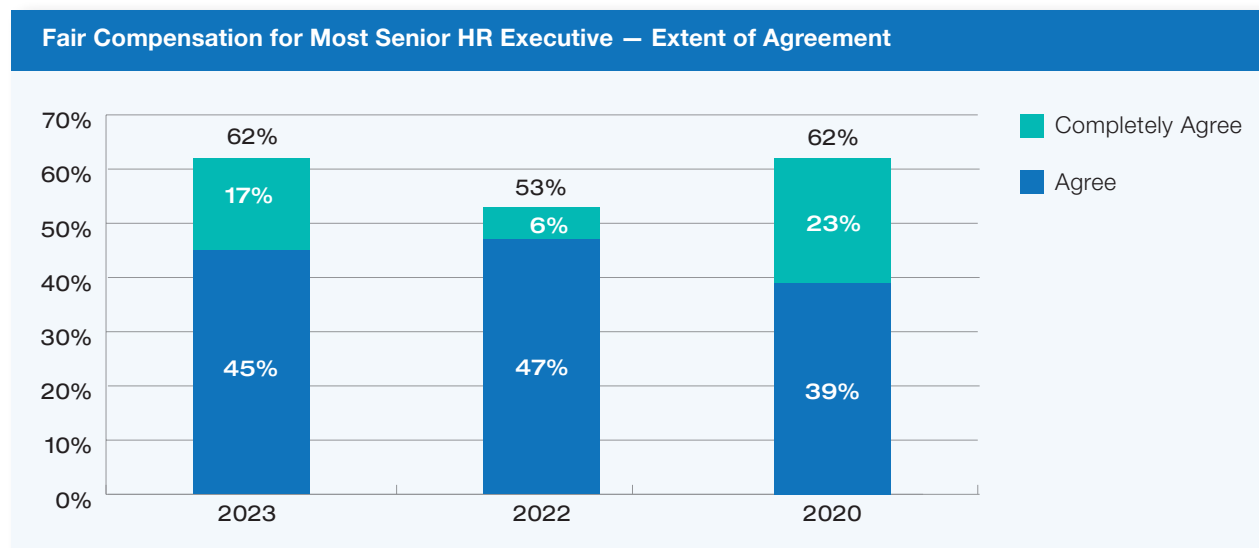


Figure 6

Agreement That Senior HR Executives Are Compensated Equitably Across Organizations

"Senior HR executives are compensated fairly across organizations."

Respondents were asked if they believe senior HR executives are compensated fairly across organizations. Nearly one-in-three (32%) agree, an increase from both 2022 and 2020.

This may indicate that more believe compensation for senior HR executives is becoming more equitable across organizations, though over two-thirds (68%) still do not feel it is equitable.

Senior HR Executives are Not Compensated Fairly Across Organizations — Extent of Agreement

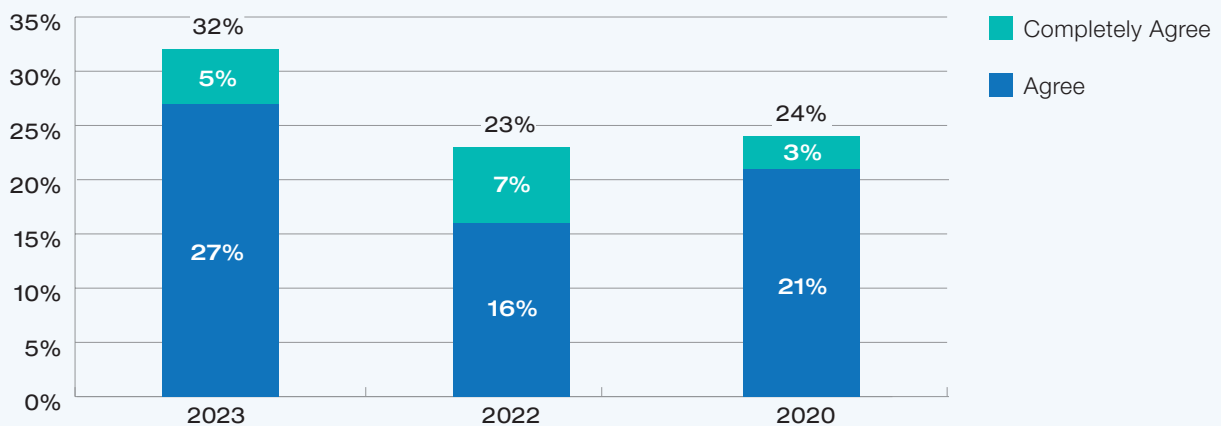


Figure 7

HR Practitioners Not Compensated Equitably Compared to Other Departments

Please indicate the extent of your agreement with each of the following statements about how much you agree the statement reflects the current HR profession.

“HR Departments as a whole are compensated fairly compared to other departments in organizations.”

Respondents were asked to give the extent of their agreement with the statement, “HR departments as a whole are compensated fairly compared to other departments in organizations.” This sentiment can apply to all organizations, regardless of the respondent’s employment history.

In 2023, less than one-quarter (22%) agree that HR departments are compensated fairly, which indicates no change in sentiment from 2022. HR practitioners still do not believe their departments are compensated fairly compared to other departments within organizations.

A negative view of HR as a profession is reflected in a recent study from Sage that reports 95% of HR professionals feel HR is too much work, and 81% feel burnt out.⁵ These sentiments are especially concerning considering the majority of HR practitioners do not feel compensated equitably to other departments. Since this sentiment is reoccurring, compensation has not yet been adjusted for the demand of HR roles.

HR Practitioners Do Not Believe They are Compensated Equitably Compared to Other Departments — Extent of Agreement

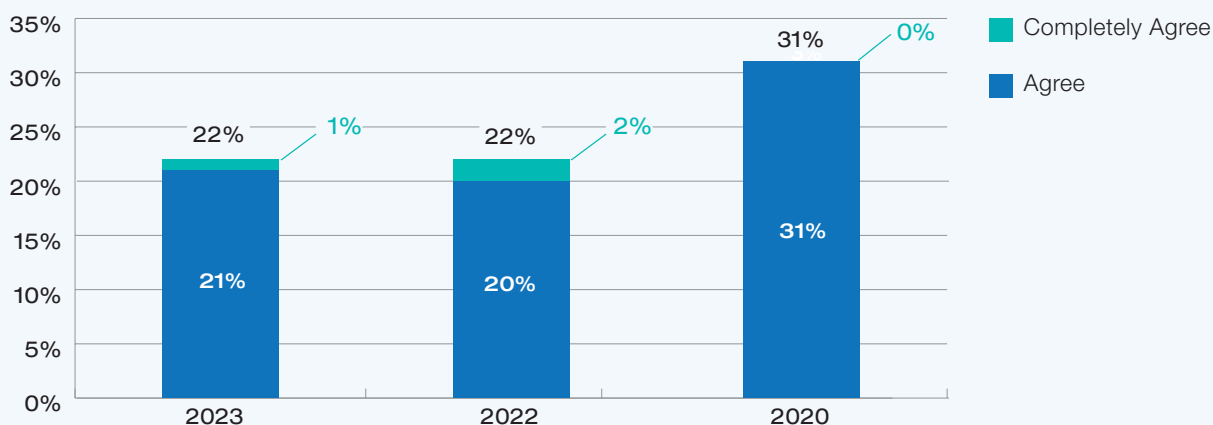


Figure 8

Agreement That Larger Organizations Compensate HR More Highly Than Other Smaller Organizations

“Larger organizations compensate HR more highly than other smaller organizations.”

We asked study respondents if they agree that larger organizations compensate HR practitioners more highly than their smaller counterparts.

Over three-in-four (78%) of study respondents agree that larger organizations compensate HR practitioners more highly than smaller organizations, up from 68% in 2022 but still down from 83% in 2020. This belief is common for a myriad of reasons, including perceptions of additional responsibilities or larger workload due to the size of the company. As HR executives shift their focus to retention and recruitment, this belief may change.

Larger Organizations Seemingly Compensate HR More Highly Than Smaller Organizations — Extent of Agreement

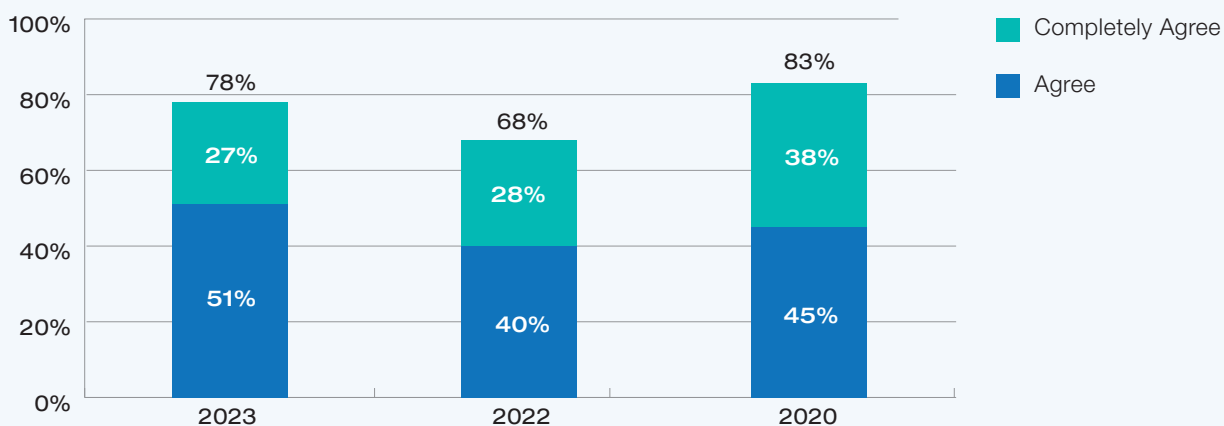


Figure 9

Views about Company's Compensation and Minority Diversification

Please indicate your extent of agreement for each of the statements below about diversity and inclusion in your company.

DEI continues to be pertinent to HR departments as systemic racism, pay inequality, and unconscious bias plague the workforce. Some companies have taken additional steps dedicated to DEI as positions in the DEI space within HR departments have quadrupled in the last five years. Interestingly, over one-half (53%) of companies in the Fortune 500 have a Chief Diversity Officer or equivalent.⁶ To gather an understanding of an HR practitioner's sentiments in an evolving workforce, we asked respondents about their extent of agreement on five statements about compensation and diversity in their company. These questions began in the 2020 wave of the study.

Minority and Non-Minority Compensation Comparability within HR Department

"The level of compensation for minorities is comparable to non-minorities in your HR Department."

In 2023, less than two-thirds (62%) of respondents agreed that the level of compensation among minorities is comparable to their non-minority counterparts, down from 71% in 2022. Since 2020, this level has consistently declined.

Minority And Non-Minority Compensation Comparability within HR Department — Extent of Agreement

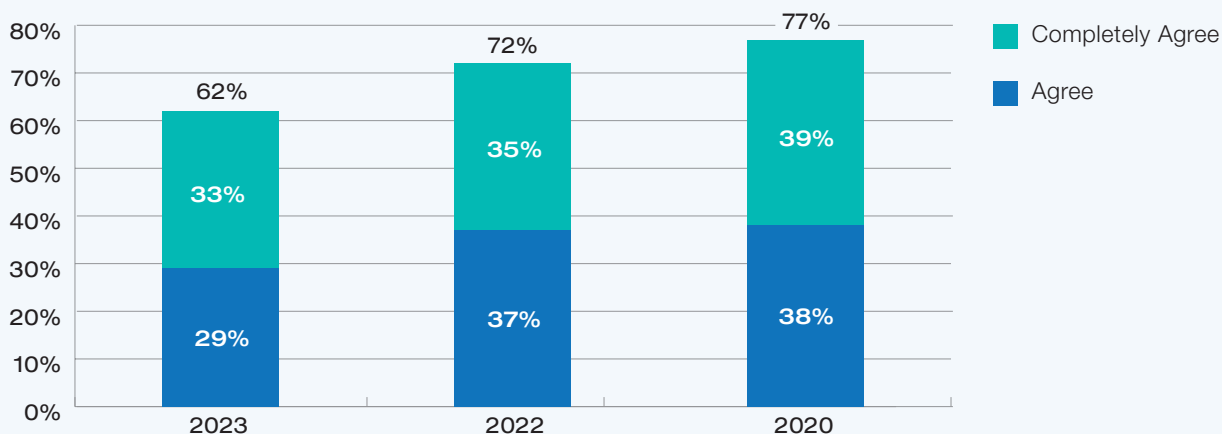


Figure 10A

Minority And Non-Minority Compensation Comparability within Company as a Whole

Extent of Agreement: "Minorities in executive roles are compensated on par with other executives in their company."

Respondents were asked if they feel minorities in executive roles are compensated on par with other executives in their company. Just over one-half (53%) agreed, down from 70% in 2022. When segmenting responses by company size by employee count, smaller organizations (those with less than 500 employees), only 47.6% agreed, down from 80% in 2022. Interestingly, for larger corporations, those with 10,000+ employees, 83.3% agreed with this sentiment, an increase from 65% in 2022. This indicates that previous diversity goals in large companies may be increasing minority presence, especially as racial and ethnic workforce data is now published more regularly among Russell 1000 companies.⁷

Minority And Non-Minority Compensation Comparability — Extent of Agreement

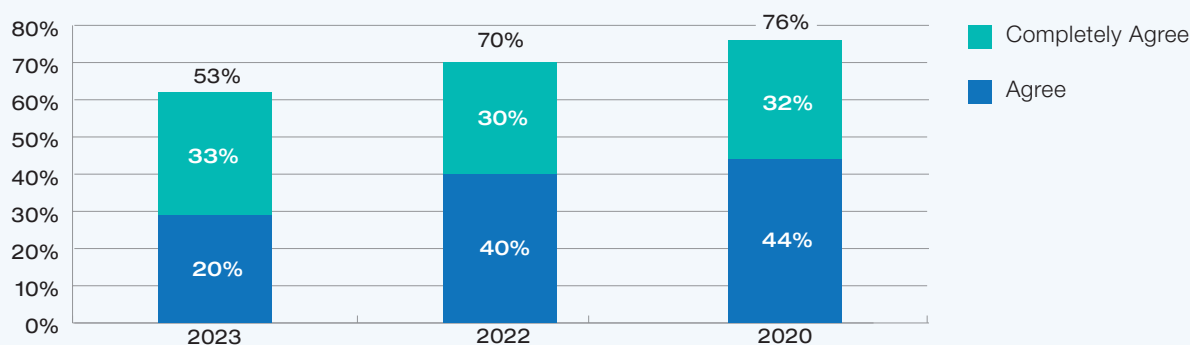


Figure 10B

Minority and Non-Minority Compensation Comparability by Size of Organization — Extent of Agreement

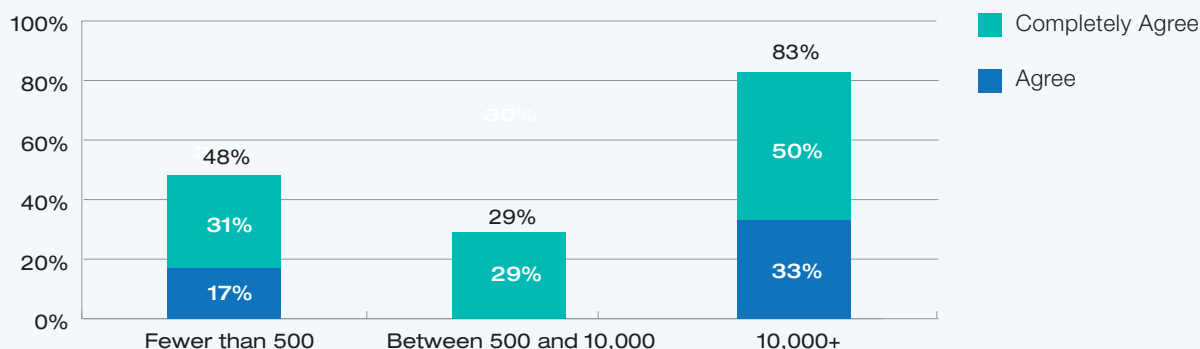


Figure 10C

Representational Diversity Within HR Leadership

Extent of Agreement: "We have representational diversity within our HR leadership team."

Does HR have issues with diversity within its own department? We asked study respondents three statements regarding representational diversity. In the first question, we asked respondents how much they agreed with "We have representational diversity within our HR leadership team." Nearly two-thirds (61%) agreed with the statement. Agreement with this statement has been fairly consistent with a slight upward trend.

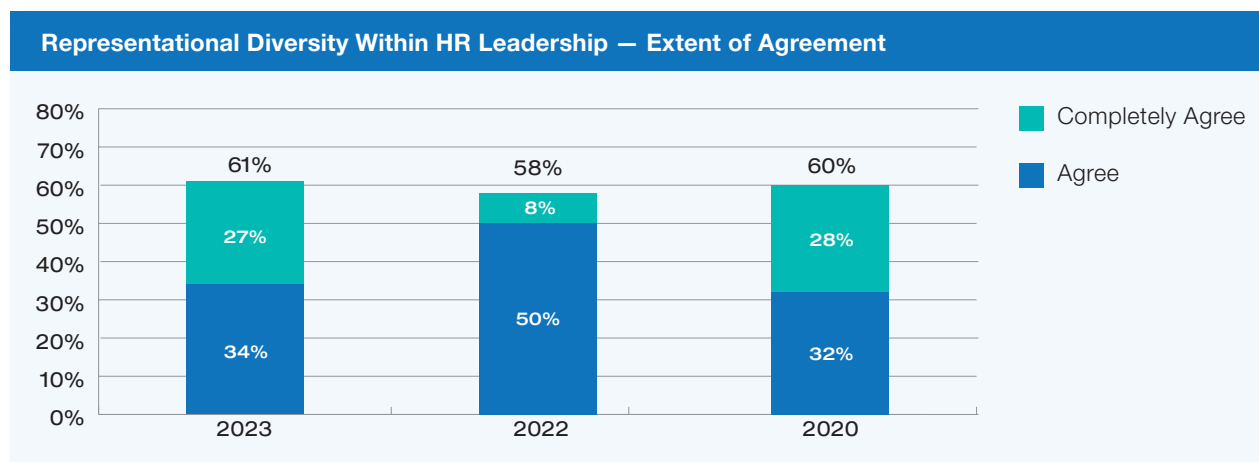


Figure 11A

Representation Diversity within HR Department

Extent of Agreement: We have representational diversity within our HR department.

Study participants were asked if they agreed with the statement "We have representational diversity within our HR department." Overall, 71% agreed that they did, up 9 percentage points from 2022 and five percentage points higher than in 2020.

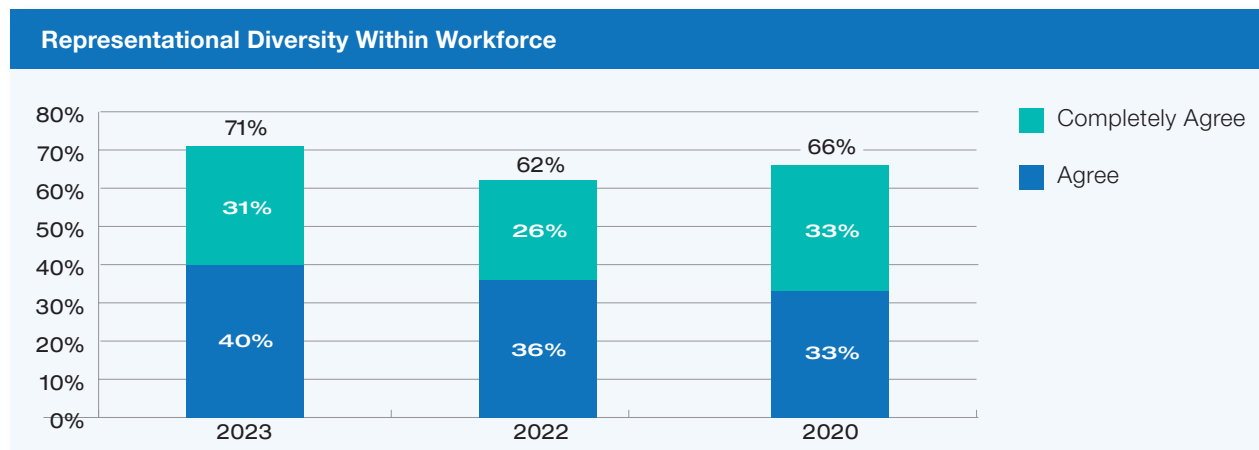


Figure 11B

Representation Diversity within Workforce

Extent of Agreement: We have representational diversity in our workforce.

Study respondents were asked if they agreed with the statement, “We have representational diversity in our workforce.” Just over two-thirds (64%) of respondents agreed with the statement, down from 73% in 2022 and 78% in 2020. This is seven percentage points lower than the view of HR being diverse, which is a reversal from 2022 when more respondents felt the company as a whole was more diverse than HR.

This negative trend in diversity over a three-year period is disturbing given the amount of dialogue around DEI initiatives.

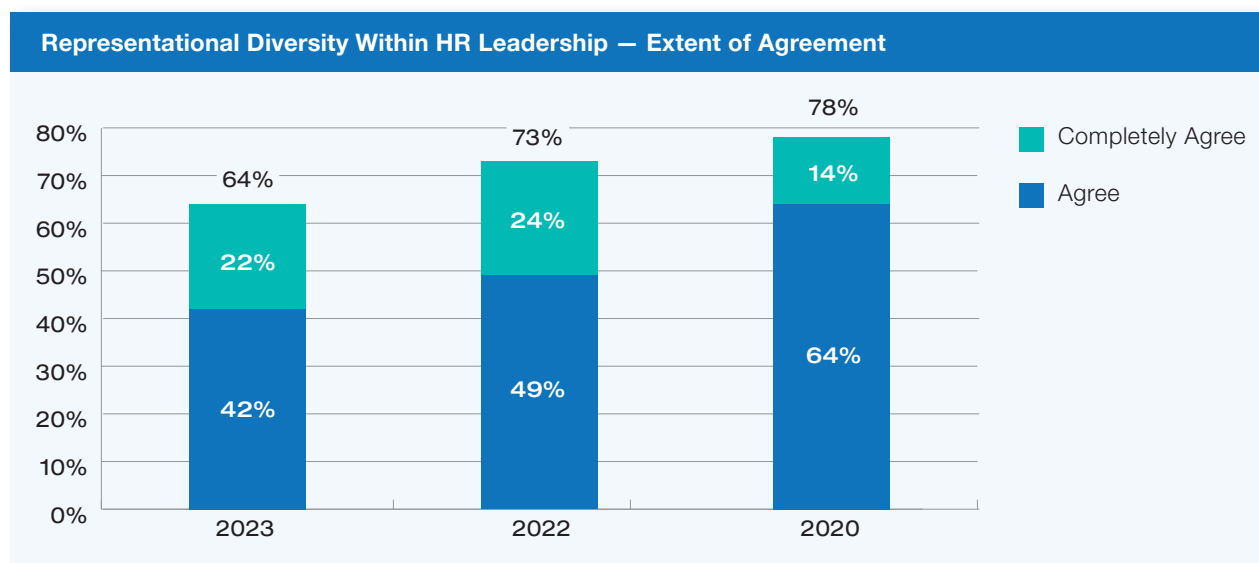


Figure 11C



Conclusions

Although there are recurring themes and sentiments across each wave of the CHRO Compensation Study findings, HR initiatives and views are ever-evolving, especially when addressing diversity and compensation gaps.

Compensation Structure

- There are five statistical correlations among CHRO compensation and company performance among the Fortune 50 in 2023: Total Compensation vs. EBITDA, Total Compensation vs. Market Capitalization, Restricted Stock vs. Market Capitalization, Restricted Stock vs. EBITDA, and Non-Equity Compensation vs. Market Capitalization. In 2022 and 2020, there were only three statistical correlations.
- More than half of HR leaders in 2023 believe compensation of the highest-level executive in their department is in line with the rest of the C-Suite.
- Over three-in-four HR practitioners consistently feel undercompensated compared to other organizational departments, the same as in 2022.
- For the second consecutive year, women in HR, especially CHROs in the Fortune 500, are more highly compensated than their male counterparts. In 2023, women have higher salaries and total compensation than men, the same as in 2022.

Compensation and Diversification

- In the Fortune 1000, there were not enough African American CHROs to accurately compare compensation levels between ethnicities. Out of the 182 CHROs with publicly available compensation data, only eight were African American.
- In addition to a lack of diversity among senior HR practitioners, only 62% of respondents feel that compensation for minorities is comparable to that of non-minorities in their HR department, a decrease from previous years, and only 53% agreed minorities in executive roles are compensated on par with other executives in their company, also a year-over-year decline.
- Respondents were asked if they agreed with statements regarding representational diversity among HR leadership, their HR department, and the company. Less than two-thirds (61%) felt HR leadership was diversified, while 71% felt their own HR team was, and only 64% felt their company's entire workforce was representationally diversified.

Notes

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2. Butters, John. "S&P 500 Reporting a Lower Net Profit Margin for 7th Straight Quarter", *FactSet*, April 24, 2023, <https://insight.factset.com/sp-500-reporting-a-lower-net-profit-margin-for-7th-straight-quarter>.
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